

TITLE OF REPORT: THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE

REPORT OF THE AUDIT MANAGER – SHARED INTERNAL AUDIT SERVICE

1. SUMMARY

- 1.1 This purpose of this report is to provide an opportunity for Members to consider the effectiveness of the Finance, Audit and Risk Committee (the Committee), utilising CIPFA best practice guidelines and feedback provided during Committee meetings in the 2013/14 civic year.

2. RECOMMENDATIONS

It is recommended that:

- 2.1 Members endorse the view that the Finance, Audit & Risk Committee is operating effectively.
- 2.2 The Action Plan attached at Appendix A is agreed for implementation during the Civic Year 2014-15.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Recommendations are made in order that North Hertfordshire District Council complies with the requirement in the Code of Practice for Internal Audit in Local Government 2006 that an Audit Committee review its own remit and effectiveness.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options available for consideration.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 Comments made by the Chair of the Finance, Audit and Risk Committee in relation to Members' interaction with Audit Service providers are reflected in 8.4 (below).

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1 The Code of Practice of Internal Audit in Local Government 2006 states that the 'Head of Internal Audit should participate in the committee's review of its own remit and effectiveness.' For the 2013/14 review this function has been discharged by the Audit Manager within the Shared Internal Audit Service who has responsibility for the provision of the Internal Audit Service at North Herts District Council.
- 7.2 The findings of this review and the Chairman of the Finance Audit and Risk Committee's Assurance Statement (presented to the June meeting of this Committee) have been included within the Annual Governance Statement that is presented to this meeting of the Committee.

8. ISSUES

- 8.1 The Council's Constitution states that the FAR Committee was established to consider audit and internal control matters and to provide effective scrutiny and overview of financial matters. The work of this Committee provides assurance to Cabinet on the annual accounts, risk management and internal control.
- 8.2 In conducting this review certain duties listed within the Committee's Terms of Reference were considered especially relevant and Table 1 (below) lists these duties and details how the duties are discharged.

Table 1 – Duties of FAR Committee – Mechanism for Discharging Duty

Duty	How Discharged in 13/14
To consider the Shared Internal Audit Service (SIAS) annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements	Via the presentation by the SIAS Head of Assurance of the SIAS Annual Report (presented at the June 2014 meeting of the Committee). Through receipt of regular SIAS update reports detailing the level of assurance for individual audit reviews (and which also inform the AGS).
To consider reports from SIAS on agreed recommendations not implemented within a reasonable timescale	Through regular SIAS update reports which list progress against the implementation of high priority recommendations (with the ability of the Committee to call in any Senior Manager to provide an update if they are dissatisfied with progress).

To commission work from internal (SIAS) and external audit	Through agreement of the respective audit plans (including any amendments).
To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance	Through consideration of the following reports presented to the Committee: <ul style="list-style-type: none"> • September 2013 - Annual Report to those Charged with Governance • December 2013 - Annual Audit Letter 2012/13 • January 2014 - Certification work report 2012/13 (Claims) • March 2014 - The Audit Plan 2013-14
To monitor the effective development and operation of risk management and corporate governance within the Council;	Through regular updates on risk management presented to the Committee and, where necessary, recommendations for changes to the Council's Top Risks.
To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and to approve the annual statement of accounts where there are no concerns arising. Where there are concerns arising from the financial statements or from the audit, these will be brought to the attention of the council with a recommendation as to how these matters should be remedied.	Via the approval by the Committee of the annual statement of accounts for 2012/13 (approved at the September 2013 meeting).

- 8.3 Issues identified by the Committee during the year for further improvement and development of effectiveness included enhanced reporting of progress against the completion of the audit plan with indicators of the levels of confidence SIAS has in delivery of: those projects not yet at final report stage; and the internal audit plan in its entirety.
- 8.4 Following a presentation outlining the Shared Internal Audit Services methodology at the meeting of this Committee in March 2014 the Chairman raised the possibility of Members of the FAR Committee observing an audit review being carried out. Through discussion it was agreed that this would be best served by a Member attending the opening and closing meetings for a particular review thereby giving them the opportunity to see the initial scoping exercise and the discussion of findings at the conclusion of the review.
- 8.5 Based on the fact that compliance with the CIPFA best practice approach has been evidenced it is the view of the Audit Manager (Shared Internal Audit Service) that the Finance, Audit & Risk Committee is an effective scrutiny body overall for financial, audit, risk and internal control matters.
- 8.7 A suggested action plan is provided in Appendix A to develop, support and continue the positive actions taken in previous years to ensure continued effectiveness from this Committee.

9. LEGAL IMPLICATIONS

9.1 There are no legal implications arising directly from this report.

10. FINANCIAL AND RISK IMPLICATIONS

10.1 There are no financial and risk implications arising specifically from this report. Budgetary requirements for learning and development will be met from existing budgets.

11. RISK IMPLICATIONS

11.1 There are no risk implications arising from this report.

12. EQUALITIES IMPLICATIONS

12.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in 8.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.

12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.3 This formal annual review of the effectiveness of the Finance, Audit and Risk Committee provides a means to monitor regularly whether the Committee is meeting the stated outcomes of its policies, ensures the Council provides accessible and appropriate services to the community, and is complying with the requirements placed on the Council under the Local Government Equality Duty. Financial decisions and larger projects are subject to individual equality analysis.

13. SOCIAL VALUE IMPLICATIONS

13.1 There are no social value implications arising from this report.

14. HUMAN RESOURCE IMPLICATIONS

14.1 There are no human resource and equalities implications arising from this report.

15. APPENDICES

15.1 Appendix A – Action Plan for implementation in 2014/15

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 CIPFA: Audit Committees: Practical Guidance for Local Authorities.

APPENDIX A

FINANCE, AUDIT AND RISK COMMITTEE ACTION PLAN 2014-15

Ref	Action	Responsible Officer(s)	Due Date	Comments
1.	<p>Explore opportunities for Members to gain a deeper understanding of the methodology used by the Shared Internal Audit Service in carrying out its work.</p> <p>Possible options for achieving this include:</p> <ul style="list-style-type: none"> - Meeting with the SIAS Principal Auditor for NHDC to review a completed audit as a desktop exercise; - Attending the opening and closing meetings of a specific audit review. 	SIAS Head of Assurance	December 2014	